

CITY OF MURDO
MURDO, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE TWO YEARS ENDING DECEMBER 31, 2019
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA
P.O. Box 262
Madison, South Dakota 57042

CITY OF MURDO
MURDO, SOUTH DAKOTA

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FOR THE TWO YEARS ENDING DECEMBER 31, 2019

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NOTE: All figures shown in this financial report are in U.S. dollars.
For space considerations, the "\$" symbol is not used.

INDEPENDENT AUDIT SERVICES, PC

Benjamin Elliott, CPA
P.O. Box 262
Madison, South Dakota 57042
605.270.3020

Governing Board
City of Murdo
Murdo, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying modified cash basis of accounting financial statements of governmental activities, business-type activities, and each major fund of the City of Murdo (City), Jones County, South Dakota, as of December 31, 2019 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

The modified cash basis financial statements of the Murdo Housing and Redevelopment Commission have not been audited, and I was not engaged to audit, and did not audit the modified cash basis of accounting financial statements of the Murdo Housing and Redevelopment Commission. These unaudited modified cash basis financial statements represent 100% of the assets, net position, receipts and disbursements of the discretely presented component unit on the government-wide statement of net position and statement of activities.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in note 1.c; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of these financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my unmodified audit opinions on governmental activities, business-type activities, and each major fund.

Basis for Disclaimer of Opinion

The modified cash basis of accounting financial statements of the Murdo Housing and Redevelopment Commission have not been audited by myself or other auditors. I was not engaged to audit, and did not audit, these financial statements on a modified cash basis of accounting as part of my audit of the City of Murdo's basic financial statements. The modified cash basis financial statements of the the Murdo Housing and Redevelopment Commission are included in the City's basic financial statement as the discretely presented component unit and represents 100% of the assets, net position, receipts and disbursements of the City's discretely presented component unit.

Disclaimer of Opinion

The modified cash basis of accounting financial statements, referred to above, of the financial position and changes in financial position of the discretely presented component unit of the City of Murdo, South Dakota as of December 31, 2019 and for each of the years in the biennial period then ended were not audited by me and, accordingly, I do not express an opinion on them.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting of governmental activities, business-type activities, and each major fund of the City of Murdo, South Dakota, as of December 31, 2019, and the respective changes in its financial position and, where applicable, cash flows thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in note 1.c to these financial statements.

Emphasis of Matter - Modified Cash Basis of Accounting

I draw attention to note 1.c of these financial statements, which describes the basis of accounting. These financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

Other Matters - Other Supplementary Information (No Opinion)

My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City of Murdo's financial statements.

The management's discussion and analysis (page 4 to 9), budgetary comparison schedules (page 31 to 34), and the pension schedules (page 36 and 37) listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the modified cash basis of accounting financial statements.

I have applied certain limited procedures to this supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on this information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Matters - Other Supplementary Information (Opinion)

My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City of Murdo's financial statements.

The schedule of changes in long-term debt (page 35) is presented for the purpose of additional analysis and is not a required part of the modified cash basis of accounting financial statements.

The schedule of changes in long-term debt is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the modified cash basis of accounting financial statements. The information has been subject to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

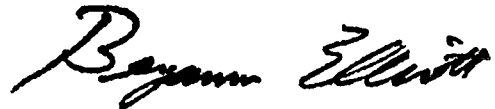
In my opinion, the schedule of changes in long-term debt is fairly stated, in all material respects, in relation to the modified cash basis of accounting financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report (page 38) dated November 15, 2021 on my tests of City of Murdo's compliance with certain provisions of laws, regulations, contracts and other matters and my consideration of its internal control over financial reporting. The purpose of that report is to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on compliance or internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance and internal control over financial reporting.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

November 15, 2021



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the City of Murdo's (City) financial report presents our discussion and analysis of the City's financial performance during the two years ending December 31, 2019 within the limitations of the City's cash basis of accounting. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS	2019	2018
Receipts:		
Charges for goods and services	277,913	292,166
Operating grants	3,617	1,567
Capital grants	0	400,000
General receipts	828,451	902,976
Bank loan	125,000	
	-----	-----
Total	1,234,981	1,596,709
	-----	-----
Disbursements:		
Governmental	850,507	2,223,019
Business-type	202,690	215,960
	-----	-----
Total	1,053,197	2,438,979
	-----	-----
Increase (Decrease) in Net Position	181,784	(842,270)
Net Position:		
December 31, 2017		978,283

December 31, 2018	136,013	136,013
	-----	=====
December 31, 2019	317,797	
	=====	
Governmental Funds:		
General	243,384	65,942
Sales tax (3rd cent)	44,199	42,143
Water	31,461	21,376
Sewer	(1,247)	6,552
	-----	-----
Total	317,797	136,013
	=====	=====

During 2019, the City:

Received:

\$ 207,910 from property taxes.
517,078 from sales taxes.
204,976 from water and sewer services.
10,500 from private donations
125,000 from a bank line-of-credit

Paid:

\$ 64,360 for police equipment
161,306 for street equipment and improvements.
8,245 principal on the 2005 sales tax loan.
34,239 principal on the 2014 John Deere loader lease.
2,925 principal on the 2000 water system loan.

During 2018, the City:

Received:

\$ 198,918 from property taxes.
511,334 from sales taxes.
221,911 from water and sewer services.
400,000 from a capital grant for a street project.

Paid:

\$ 8,056 for police equipment.
1,604,281 for street equipment and improvements.
8,164 principal on the 2005 sales tax loan.
33,062 principal on the 2014 John Deere loader lease.
2,855 principal on the 2000 water system loan.

BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This financial report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement-34.

The financial report consists of three parts: (1) management's discussion and analysis (page 4 to 9) as supplementary information, (2) the basic financial statements (page 10 to 30) and (3) additional supplementary information (page 31 to 37). The basic financial statements include two types of statements that present the City from two different financial points of view.

Government-wide financial statements (View #1):

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

Fund financial statements (View #2):

The remaining financial statements are fund financial statements that focus on significant operations of the governmental and enterprise activities of the City.

The governmental financial statements tell how general governmental services were financed in the short-term, as well as what remains for future spending. The only governmental funds operated by the City during 2018 and 2019 are the general fund and the 3rd cent sales tax fund.

The enterprise fund financial statements offer short-term and long-term financial information about the activities of the City that operate like a business. Enterprise funds operated by the City include the water and sewer funds.

The fiduciary fund financial statements provide information about the financial status of activities in which the City acts solely as a trustee or agent for the benefit of those groups to whom these funds belong. In 2018 and 2019 the City had no fiduciary funds.

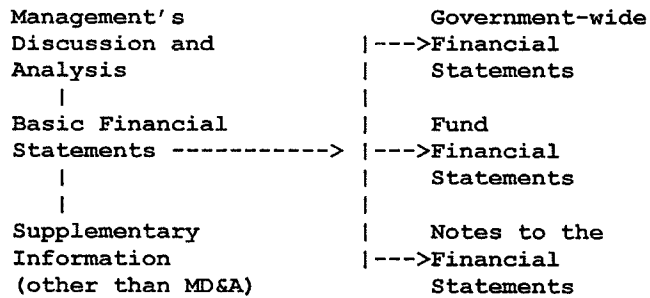
The financial statements include notes that explain in more detail some of the information found in the financial statements. The notes are also followed by a section of supplementary information.

Supplementary Information:

This Management's Discussion and Analysis (page 3 to 9), the budgetary comparison schedules (page 31 to 34), and the pension schedules (page 36 and 37) are financial information required to be presented by GASB. Such information provides readers of this report with additional data that supplements the government-wide statements and fund financial statements. The budgetary comparison schedule is presented on a budgetary basis of accounting, which reports capital expenditures within their respective expenditure function rather than as a separate capital outlay expenditure.

The schedule of changes in debt (page 35) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Here is an overview of the City's financial statements.



Here is a summary of the major features of these financial statement.

	Government-wide Statements	Governmental Funds	Enterprise Funds
Scope	Entire City (including component units if any)	City activities except enterprise (general fund)	Activities operated like a private business (water and sewer)
Required Financial Statements	Statement of Net Position	Balance Sheet	Statement of Net Position
Required Financial Statements	Statement of Activities	Statement of Receipts Disbursements and Changes in Fund Balances	Statement of Receipts, Disbursements and Changes in Net Position
Basis of Accounting	Modified Cash	Modified Cash	Modified Cash
Measurement Focus	Modified Cash	Modified Cash	Modified Cash
Types of assets & Liabilities	Only cash No liabilities	Only cash No liabilities	Only cash No liabilities
Types of Revenue and Expenditures or Expense	Cash receipts Cash disbursements	Cash receipts Cash disbursements	Cash receipts Cash disbursements

BASIS OF ACCOUNTING

The City has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the City's modified cash basis of accounting, revenues and expenses and related assets are recorded when they result from cash transactions, except for the recording of investments.

GOVERNMENT-WIDE STATEMENTS

(Reporting the City as a whole)

The government-wide statements (page 10 to 12) report information about the City as a whole using cash accounting methods similar to those used by private-sector companies. The statement of net position includes all of the City's cash. The statement of activities includes all of the year's receipts and disbursements.

The two government-wide statements report the City's net position and how it has changed. Net position is the City's petty cash, checking accounts, savings accounts, certificate of deposit and any money market accounts. The change in these accounts is one way to measure the City's financial health. Increases or decreases in net position measures improvements or declines in the City's financial health. To assess the City's overall financial health you also need to consider other factors such as changes in the property tax base, and/or sales tax receipts generated from local businesses.

The government-wide financial statements have two broad categories of information: governmental activity and business-type activity.

The governmental activities include basic services such care of streets, fire protection, airport, and solid waste collection. Property taxes, sales taxes, fees, and interest earnings finance most of these activities.

The business-type activities account for the City's water and sewer activities. These services are funded by user fees. Loans and federal and state grants help pay for capital improvements to the water and sewer systems.

The government-wide statements also report on the City of Murdo's Housing & Redevelopment Commission (MHRC). Financial information about MHRC is available at Murdo's City Hall.

FUND FINANCIAL STATEMENTS

(Reporting the City's most significant funds)

The fund financial statements (page 13 to 17) provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting tools used to keep track of the City's receipts and disbursements. State law requires the use of some funds and the City Council establishes other funds to manage money for a specific purpose.

The fund financial statements show information in two broad categories: governmental and enterprise (business-type).

Governmental funds: Most of the City's basic services are included in the governmental funds, which focus on (1) how cash flows in and out of that fund, and (2) cash balances left at year-end which are available for spending in the next year. The governmental funds financial statements provide detail that helps you determine whether there is more or fewer cash resources available for spending in the near future to finance the City's programs. The general and 3rd cent sales tax funds are the only governmental funds maintained by the City.

Enterprise fund: Services for which the City charges the customer a fee are generally reported in enterprise funds. These funds account for cash and the receipt and disbursement of cash, the same as the governmental funds. The water and sewer funds are the only enterprise funds maintained by the City.

SIGNIFICANT CAPITAL ASSET ACTIVITY

Significant capital asset activity is reported above.

SIGNIFICANT LONG-TERM DEBT ACTIVITY

Significant long-term debt activity is reported above and page 35.

MATERIAL CHANGES IN STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

For the Year Ending December 31, 2019

(Material changes for governmental activities = changes greater than \$50,000)
(Material changes for business-type activities = changes greater than \$25,000)

	Increase (Decrease)	Reason
Governmental Activities:		
Cash	179,498	Excess cash receipts.
Grants	(397,950)	Street project completed in 2018.
Public safety	98,797	Additional police officer.
Public works	(1,459,457)	Street project completed.
Bank loan	125,000	Short-term line-of-credit advance.

Business-type Activities:
None reported

For the Year Ending December 31, 2018

(Material changes for governmental activities = changes greater than \$50,000)
(Material changes for business-type activities = changes greater than \$25,000)

	Increase (Decrease)	Reason
Governmental Activities:		
Cash	(848,221)	Excess disbursements over receipts.
Grants	353,778	Grant for street project.
Special assessment	55,968	New special assessment.
Public works	1,480,717	Street project largely completed.
Culture and rec.	(275,174)	Tennis court improvements completed.

Business-type Activities:
Water costs (112,111) Water tower repair completed.

SIGNIFICANT VARIATIONS BETWEEN ORIGINAL AND FINAL GENERAL FUND BUDGET

In 2019 the City adopted a general fund budget of \$971,179 which is a decrease of \$401,714 or 29.26% from 2018. The decrease was primarily in streets. There was one supplemental appropriation to the general fund budget in 2019. See page 31 for more information.

In 2018 the City adopted a general fund budget of \$1,372,893 which is an increase of \$180,302 or 15.12% from 2017. The increase was primarily in streets. There were no supplemental appropriations to the general fund budget in 2018. See page 32 for more information.

CURRENTLY KNOWN FACTS

On September 11, 2019 the City authorize the Mayor to sign SD DOT agreement for Project No. 3-46-0039-11-2019 for an airport hangar project which will be done after 2019.

On September 24, 2019 the City passed Resolution 2019-24 authorizing the application for a Community Development Block Grant to partially fund the construction of a new Fire Hall.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Murdo's finance office at P.O. Box 432, Murdo, SD 57559 or telephone us at (605) 669-2272.

CITY OF MURDO

TABLE 1 - NET POSITION -- MODIFIED CASH BASIS

BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2019, DECEMBER 31, 2018, AND DECEMBER 31, 2017

	Governmental Activities			Business-Type Activities			Total Government		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Assets:									
Cash and cash equivalents	287,583	108,085	956,306	30,214	27,928	21,977	317,797	136,013	978,283
Total assets	287,583	108,085	956,306	30,214	27,928	21,977	317,797	136,013	978,283
Net position:									
Restricted:									
3rd cent uses	44,199	42,143	41,470				44,199	42,143	41,470
Unrestricted	243,384	65,942	914,836	30,214	27,928	21,977	273,598	93,870	936,813
Total net position	287,583	108,085	956,306	30,214	27,928	21,977	317,797	136,013	978,283

TABLE 2 - CHANGES IN NET POSITION -- MODIFIED CASH BASIS

BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS

FOR THE THREE YEARS ENDING DECEMBER 31, 2019

	Governmental Activities			Business-Type Activities			Total Government		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Receipts:									
Program receipts:									
Charges for services	72,937	70,255	85,145	204,976	221,911	213,345	277,913	292,166	298,490
Grants	3,617	401,567	47,789				3,617	401,567	47,789
General receipts:									
Property taxes	207,910	198,918	193,878				207,910	198,918	193,878
Sales taxes	517,078	511,334	481,305				517,078	511,334	481,305
Other taxes	96	36	168				96	36	168
Federal receipts	2,485	0	2,342				2,485	0	2,342
State receipts	46,766	45,801	44,445				46,766	45,801	44,445
County receipts	2,369	2,737	3,436				2,369	2,737	3,436
Interest received	2,934	4,448	6,032				2,934	4,448	6,032
Rents and franchise fees	3,446	15,923	1,936				3,446	15,923	1,936
Special assessments	3,065	55,968					3,065	55,968	0
Donations	10,500	10,000	50,500				10,500	10,000	50,500
Liquor operating agreements	25,627	25,696	25,250				25,627	25,696	25,250
Miscellaneous	6,175	29,196	8,168				6,175	29,196	8,168
Total receipts	905,005	1,371,879	950,394	204,976	221,911	213,345	1,109,981	1,593,790	1,163,739
Disbursements:									
General government	151,502	151,985	127,144				151,502	151,985	127,144
Public safety	205,252	106,455	84,767				205,252	106,455	84,767
Public works	346,009	1,805,466	324,749				346,009	1,805,466	324,749
Health and welfare	1,500	1,500	1,500				1,500	1,500	1,500
Culture and recreation	69,495	84,364	359,538				69,495	84,364	359,538
Economic development	34,000	30,500	27,631				34,000	30,500	27,631
Debt service	42,749	42,749	42,748				42,749	42,749	42,748
Water operations				115,272	136,709	248,820	115,272	136,709	248,820
Sewer operations				87,418	79,251	78,917	87,418	79,251	78,917
Total disbursements	850,507	2,223,019	968,077	202,690	215,960	327,737	1,053,197	2,438,979	1,295,814
Excess of receipts over (under) disbursements	54,498	(851,140)	(17,683)	2,286	5,951	(114,392)	56,784	(845,189)	(132,075)
Other financing sources (uses):									
Sale of surplus property		122	6,000				0	122	6,000
Compensation for damages		2,797					0	2,797	0
Bank loan proceeds	125,000						125,000	0	0
Net change in net position	179,498	(848,221)	(11,683)	2,286	5,951	(114,392)	181,784	(842,270)	(126,075)
Net position:									
December 31, 2016			967,989			136,369			1,104,358
December 31, 2017		956,306	956,306		21,977	21,977		978,283	978,283
December 31, 2018	108,085	108,085		27,928	27,928		136,013	136,013	
December 31, 2019	287,583			30,214			317,797		

CITY OF MURDO

STATEMENT OF NET POSITION
MODIFIED CASH BASIS
AS OF DECEMBER 31, 2019

	Primary Government			Component Unit NOT AUDITED
	Governmental Activities	Business- Type Activities	Total	
ASSETS:				
Cash and cash equivalents	287,583	30,214	317,797	135,436
Total assets	287,583	30,214	317,797	135,436
	=====	=====	=====	=====
NET POSITION:				
Restricted for:				
3rd cent uses	44,199		44,199	
Unrestricted	243,384	30,214	273,598	135,436
Total net position	287,583	30,214	317,797	135,436
	=====	=====	=====	=====

See accompanying notes.

CITY OF MURDO
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDING DECEMBER 31, 2019

Functions/Programs:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Position			Component Unit NOT AUDITED
	Disbursements	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
Primary government:								
Governmental activities:								
General government	151,502	1,736			(149,766)		(149,766)	
Public safety	205,252		3,617		(201,635)		(201,635)	
Public works	346,009	65,614			(280,395)		(280,395)	
Health and welfare	1,500				(1,500)		(1,500)	
Culture and recreation	69,495	5,587			(63,908)		(63,908)	
Economic development	34,000				(34,000)		(34,000)	
Debt service	42,749				(42,749)		(42,749)	
Total governmental activities	850,507	72,937	3,617	0	(773,953)	0	(773,953)	
Business-type activities:								
Water	115,272	125,357				10,085	10,085	
Sewer	87,418	79,619				(7,799)	(7,799)	
Total business-type activities	202,690	204,976	0	0	0	2,286	2,286	
Total primary government	1,053,197	277,913	3,617	0	(773,953)	2,286	(771,667)	
Component Unit:								
Murdo Housing and Redevelopment	516,301	111,048	54,637	390,928				40,312
General receipts:								
Taxes:								
Property taxes					207,910		207,910	
Sales taxes					517,078		517,078	
Amusement taxes					96		96	
Federal shared receipts					2,485		2,485	
State shared receipts					46,766		46,766	
County shared receipts					2,369		2,369	
Interest and dividends received					2,934		2,934	1,079
Rents and franchise fees					3,446		3,446	
Special assessment - principal					3,065		3,065	
Donations					10,500		10,500	
Liquor operating agreements					25,627		25,627	
Miscellaneous receipts					6,175		6,175	
Bank loan proceeds					125,000		125,000	
Total general receipts and transfers					953,451	0	953,451	1,079
Change in net position					179,498	2,286	181,784	41,391
Net position:								
January 1, 2019					108,085	27,928	136,013	94,045
December 31, 2019					287,583	30,214	317,797	135,436

See accompanying notes.

CITY OF MURDO
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDING DECEMBER 31, 2018

Functions/Programs:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Position			Component Unit NOT AUDITED
	Disbursements	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
Primary government:								
Governmental activities:								
General government	151,985	550			(151,435)		(151,435)	
Public safety	106,455		1,567		(104,888)		(104,888)	
Public works	1,805,466	65,922		400,000	(1,339,544)		(1,339,544)	
Health and welfare	1,500				(1,500)		(1,500)	
Culture and recreation	84,364	3,783			(80,581)		(80,581)	
Economic development	30,500				(30,500)		(30,500)	
Debt service	42,749				(42,749)		(42,749)	
Total governmental activities	2,223,019	70,255	1,567	400,000	(1,751,197)	0	(1,751,197)	
Business-type activities:								
Water	136,709	138,127				1,418	1,418	
Sewer	79,251	83,784				4,533	4,533	
Total business-type activities	215,960	221,911	0	0	0	5,951	5,951	
Total primary government	2,438,979	292,166	1,567	400,000	(1,751,197)	5,951	(1,745,246)	
Component Unit:								
Murdo Housing and Redevelopment	153,705	114,114	54,637					15,046
General receipts:								
Taxes:								
Property taxes					198,918		198,918	
Sales taxes					511,334		511,334	
Amusement taxes					36		36	
Federal shared receipts					0		0	
State shared receipts					45,801		45,801	
County shared receipts					2,737		2,737	
Interest and dividends received					4,448		4,448	1,079
Rents and franchise fees					15,923		15,923	
Special assessment - principal					55,968		55,968	
Donations					10,000		10,000	
Liquor operating agreements					25,696		25,696	
Miscellaneous receipts					29,196		29,196	
Sale of surplus property					122		122	
Compensation for damaged property					2,797		2,797	
Transfers					0	0	0	
Total general receipts and transfers					902,976	0	902,976	1,079
Change in net position					(848,221)	5,951	(842,270)	16,125
Net position:								
January 1, 2018					956,306	21,977	978,283	77,920
December 31, 2018					108,085	27,928	136,013	94,045

See accompanying notes.

CITY OF MURDO

BALANCE SHEET -- MODIFIED CASH BASIS
ALL GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2019

	General Fund	3rd Cent Sales Tax Fund	Total
	-----	-----	-----
ASSETS:			
Cash and cash equivalents	243,384	44,199	287,583
	-----	-----	-----
Total assets	243,384	44,199	287,583
	=====	=====	=====
 FUND BALANCE:			
Nonspendable			0
Restricted		44,199	44,199
Committed			0
Assigned			0
Unassigned	243,384		243,384
	-----	-----	-----
Total fund balances	243,384	44,199	287,583 **
	=====	=====	=====

** Equals net position on
statement of net position

See accompanying notes.

CITY OF MURDO
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
BALANCES -- MODIFIED CASH BASIS -- ALL GOVERNMENTAL FUNDS
FOR THE TWO YEARS ENDING DECEMBER 31, 2019

	General Fund	3rd Cent Sales Tax Fund	2019 Totals	General Fund	3rd Cent Sales Tax Fund	2018 Totals
Receipts:						
Local sources:						
Taxes:						
Ad valorem taxes	207,910		207,910	198,918		198,918
General sales taxes	454,131	62,947	517,078	448,615	62,719	511,334
Amusement taxes	96		96	36		36
Licenses and permits:	1,736		1,736	550		550
Intergovernmental:						
Federal shared revenue:						
PILOT	2,485		2,485			0
State shared revenue:						
Grant - streets			0	400,000		400,000
Grant - other	3,617		3,617	1,567		1,567
Bank franchise tax	3,841		3,841	3,892		3,892
Commercial prorate	3,272		3,272	3,148		3,148
Liquor tax reversion	3,180		3,180	3,069		3,069
5% motor vehicle licenses	10,161		10,161	10,082		10,082
Highway and bridge	26,312		26,312	25,610		25,610
County shared revenue	2,369		2,369	2,737		2,737
Charges for goods and services:						
Sanitation and landfill	65,614		65,614	65,922		65,922
Pool	5,032		5,032	3,323		3,323
Recreation	555		555	460		460
Fines and forfeits:						
Court fines and cost	0		0	0		0
Miscellaneous:						
Interest and dividends	2,934		2,934	4,448		4,448
Rents and franchise	3,446		3,446	15,923		15,923
Special assessments - principal	3,065		3,065	55,968		55,968
Donations	10,500		10,500	10,000		10,000
Liquor operating agreements	25,627		25,627	25,696		25,696
Other	6,175		6,175	29,196		29,196
Total receipts	842,058	62,947	905,005	1,309,160	62,719	1,371,879
Disbursements:						
Current:						
General government:						
Mayor and Council	20,560		20,560	22,301		22,301
Financial administration	130,942		130,942	129,684		129,684
Public safety:						
Police	132,266		132,266	89,911		89,911
Fire	8,626		8,626	8,488		8,488
Public works:						
Highways and streets	114,162	4,744	118,906	132,545	4,632	137,177
Sanitation	63,534		63,534	62,848		62,848
Airport	1,763		1,763	1,160		1,160
Health and welfare:						
Health	1,500		1,500	1,500		1,500
Culture and recreation:						
Recreation - pool	43,848		43,848	53,336		53,336
Recreation - baseball	8,152		8,152	3,092		3,092
Recreation - other	1,000		1,000	217		217
Parks	1,977	13,736	15,713	7,796	18,503	26,299
Auditorium	394		394	1,024		1,024
Tennis	388		388	396		396
Conservation and development:						
Economic development		34,000	34,000		30,500	30,500
Debt service - principal	34,239	8,245	42,484	33,062	8,164	41,226
- interest	99	166	265	1,276	247	1,523
Capital outlay	226,166		226,166	1,612,337		1,612,337
Total disbursements	789,616	60,891	850,507	2,160,973	62,046	2,223,019
Excess of receipts over (under) disbursements	52,442	2,056	54,498	(851,813)	673	(851,140)
Other financing sources (uses):						
Sale of surplus property			0	122		122
Compensation for damaged property			0	2,797		2,797
Bank loan proceeds	125,000		125,000			0
Net change in fund balance	177,442	2,056	179,498 **	(848,894)	673	(848,221)
Fund balance:						
January 1, 2018				914,836	41,470	956,306
January 1, 2019	65,942	42,143	108,085	65,942	42,143	108,085
December 31, 2019	243,384	44,199	287,583			

** Equals change in net position on
Statement of Activities

See accompanying notes.

CITY OF MURDO

STATEMENT OF NET POSITION
MODIFIED CASH BASIS
ENTERPRISE FUNDS
AS OF DECEMBER 31, 2019

	Water Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----
ASSETS			
Current assets:			
Cash and cash equivalents	31,461	(1,247)	30,214
	-----	-----	-----
Total assets	31,461	(1,247)	30,214
	=====	=====	=====
NET POSITION			
Unrestricted	31,461	(1,247)	30,214
	-----	-----	-----
Total net position	31,461	(1,247)	30,214
	=====	=====	=====

See accompanying notes.

CITY OF MURDO

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN NET POSITION -- MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 FOR THE TWO YEARS ENDING DECEMBER 31, 2019

	Water Fund	Sewer Fund	2019 Total	Water Fund	Sewer Fund	2018 Total
	-----	-----	-----	-----	-----	-----
Operating receipts:						
Charges for goods and services	125,357	79,619	204,976	138,127	83,784	221,911
	-----	-----	-----	-----	-----	-----
Total operating receipts	125,357	79,619	204,976	138,127	83,784	221,911
	-----	-----	-----	-----	-----	-----
Operating disbursements:						
Personal services	26,495	76,518	103,013	26,450	72,452	98,902
Other current services	32,851	10,900	43,751	50,099	6,799	56,898
Cost of goods sold	51,438		51,438	55,672		55,672
	-----	-----	-----	-----	-----	-----
Total operating disbursements	110,784	87,418	198,202	132,221	79,251	211,472
	-----	-----	-----	-----	-----	-----
Excess operating receipts (disbursements)	14,573	(7,799)	6,774	5,906	4,533	10,439
Nonoperating receipts (disbursements):						
Debt service - principal	(2,925)		(2,925)	(2,855)		(2,855)
- interest	(1,563)		(1,563)	(1,633)		(1,633)
	-----	-----	-----	-----	-----	-----
Total nonoperating receipts (disbur	(4,488)	0	(4,488)	(4,488)	0	(4,488)
Excess receipts (disbursements) before transfers	10,085	(7,799)	2,286	1,418	4,533	5,951
Transfers in (out)			0	60,000	(60,000)	0
	-----	-----	-----	-----	-----	-----
Change in net position	10,085	(7,799)	2,286	61,418	(55,467)	5,951
Net position:						
January 1, 2018				(40,042)	62,019	21,977
				-----	-----	-----
January 1, 2019	21,376	6,552	27,928	21,376	6,552	27,928
	-----	-----	-----	-----	-----	-----
December 31, 2019	31,461	(1,247)	30,214	=====	=====	=====
	=====	=====	=====			

See accompanying notes.

CITY OF MURDO

STATEMENT OF CASH FLOWS-- MODIFIED CASH BASIS
ENTERPRISE FUNDS
FOR THE TWO YEARS ENDING DECEMBER 31, 2019

	Water Fund	Sewer Fund	2019 Total	Water Fund	Sewer Fund	2018 Total
	-----	-----	-----	-----	-----	-----
Cash flows from:						
Operating activities:						
Receipts from customers	125,357	79,619	204,976	138,127	83,784	221,911
Payments to employees	(26,495)	(76,518)	(103,013)	(26,450)	(72,452)	(98,902)
Payments to suppliers	(84,289)	(10,900)	(95,189)	(105,771)	(6,799)	(112,570)
Net cash provided (used)	-----	-----	-----	-----	-----	-----
by operating activities	14,573	(7,799)	6,774	5,906	4,533	10,439
Noncapital financing activities:						
Transfers in (out)			0	60,000	(60,000)	0
Capital financing activities:						
Debt service - principal	(2,925)		(2,925)	(2,855)		(2,855)
- interest	(1,563)		(1,563)	(1,633)		(1,633)
Investing activities:						
None			0			0
Net increase (decrease) in	-----	-----	-----	-----	-----	-----
cash and cash equivalents	10,085	(7,799)	2,286	61,418	(55,467)	5,951
Cash and cash equivalents:						
January 1, 2018				(40,042)	62,019	21,977
January 1, 2019	21,376	6,552	27,928	21,376	6,552	27,928
December 31, 2019	31,461	(1,247)	30,214			
	=====	=====	=====	=====	=====	=====
Reconciliation of operating						
income (loss) to net cash						
provided (used) by operating						
activities:						
Operating income (loss)	14,573	(7,799)	6,774	5,906	4,533	10,439
Net cash provided (used)	-----	-----	-----	-----	-----	-----
by operating activities	14,573	(7,799)	6,774	5,906	4,533	10,439
	=====	=====	=====	=====	=====	=====
Noncash investing, capital and						
financing activities: None						

See accompanying notes.

CITY OF MURDO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in note 1.c, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

a. Reporting Entity:

The funds included in this report are controlled by or dependent upon the City of Murdo's (City) governing board.

At December 31, 2019 City officials are:

Governing Board:	Finance Officer:
David Geisler, Mayor	Krysti Barnes
Wayne Esmay, President	Attorney:
Jay Drayer	Lynn, Jackson, Schultz, & Lebrun, PC
Mike Jost	
Sam Springer	
Kit Talich	
Rus Wilbur	

The City's financial reporting entity is composed of the following:

Primary government: City of Murdo
Component unit: Murdo Housing & Redevelopment Commission

To determine the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

The reporting entity of the City of Murdo consists of (1) the primary government, which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity; (2) those organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the City (the primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City unless that organization can, without the approval of the City: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the Murdo Housing and Redevelopment Commission (MHRC) is a component unit of the City of Murdo and represents 100% of the balances and activity of the discretely presented component unit column of these financial statements.

MHRC is a Housing and Redevelopment Commission, established under SDCL 11-7-7 to provide housing through the operation of a rental housing complex. Financial information about MHRC is available at Murdo's City Hall.

b. Basis of Presentation:

Government-wide Financial Statements:

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds (if any). The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The Statement of Net Position reports all cash assets. Net position is displayed in two components: restricted (distinguishing between major categories of restrictions) and unrestricted.

The Statement of Activities presents a comparison between direct disbursements and program receipts for each function of the City's governmental activities and for each segment of City's business-type activities. Direct disbursements are associated with a specific program or function and are clearly identifiable to a particular function. Program receipts include (a) charges paid by recipients of goods and services offered by the program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts that are not classified as program receipts, including all taxes and interest, are presented as general receipts.

Fund Financial Statements:

The fund financial statements include specific information about individual funds used by the reporting entity. Each fund is considered a separate accounting entity with a separate set of self-balancing accounts that constitutes its cash, net position, receipts and disbursements. Funds are organized into three major categories: governmental, enterprise, and fiduciary (if any). An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the City or if it meets the following criteria:

- a. Total cash, receipts or disbursements of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (cash, receipts or disbursements) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The City has elected to classify all of its funds as major funds.

Funds of the City are described below within their respective fund type:

Governmental Funds

General Fund - a fund established by South Dakota Codified Law (SDCL) 4-11-6 to met all the general operational costs of the City except those required to be accounted for in another fund. The general fund is always a major fund.

Special Revenue Funds - special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes. The City has the following special revenue fund:

3rd Cent Sales Tax Fund - A fund established by SDCL 10-52-8, to account for the collection of a 1% tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including promotion and advertising of the City. The 3rd cent sales tax fund is a major fund.

Enterprise Funds
(Business-Type)

Enterprise Funds - Enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The City has the following enterprise funds:

Water Fund - A fund established by SDCL 9-47-1 to provide water to customers within the City of Murdo. The water fund is a major fund.

Sewer Fund - A fund established by SDCL 9-48-2 to provide sewer services to customers within the City of Murdo. The sewer fund is a major fund.

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

The City of Murdo has no fiduciary funds.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses (disbursements) are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The City's basis of accounting is the modified cash basis of accounting, which is a basis of accounting other than US-GAAP. Under US-GAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis of accounting, transactions are recorded when cash is received or disbursed.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as described below.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used, applied within the limitations of the modified cash basis of accounting.

Basis of Accounting:

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, business-type, and major fund activities are presented using a modified cash basis of accounting.

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipts and disbursement transactions. Under the modified cash basis of accounting, the statement of net position reports only cash and cash equivalents. Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the City in these financial statements are certificates of deposit (if any) whose maturity when purchased is more than 90 days.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the City applied US-GAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the fund financial statements for enterprise funds and fiduciary funds (if any) would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

d. Cash and Cash Equivalents:

For purposes of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments (if any) in open-end mutual funds shares or similar investments in external investment pools, are also considered to be cash equivalents.

e. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

f. Program Receipts and General Receipts:

Program Receipts:

In the government-wide Statement of Activities, reported program receipts derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program receipts are classified in three categories, as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contribution - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contribution - These arise from mandatory and voluntary non-exchange transactions with other government, organization, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

General Receipts:

General receipts include all receipts not specifically earmarked for a specific program. General receipts include all taxes, interest received, unrestricted

receipts from federal, state, or county governments, and miscellaneous receipts not related to a program. These receipts are not restricted and can be used for the regular operation of the City.

g. Enterprise Fund Receipt Classifications:

In both the government-wide statements and fund financial statements, enterprise fund operating receipts, such as charges for water and sewer services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, if any, such as grants, operating subsidies, interest received, and transfers in, result from nonexchange transactions.

h. Equity Classifications:

Government-wide financial Statements:

Equity is classified as net position and is displayed in two components:

1. Restricted Net Position - Consists of net position with constraints placed on their use either by (a) external groups such as creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted Net Position - All other net position that does not meet the definition of "restricted net position".

Fund Financial Statements:

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund equity (if any) (except for agency funds, which have no fund equity) is reported as "Net Position Held in Agency Capacity."

i. Application of Net Position:

It is the City's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred which can be charged to either restricted or unrestricted net position.

j. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

- * Nonspendable - includes fund cash balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- * Restricted - includes fund cash balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- * Committed - includes fund cash balance amounts that are constrained for specific purposes that are internally imposed (or modified or rescinded) by the government through formal action at the highest level of decision making authority and does not lapse at year-end.
- * Assigned - includes fund cash balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund cash balance may be assigned by the Board of Trustees or Finance Officer.
- * Unassigned - includes positive fund cash balance within the general fund which has not been classified within the above categories and negative fund balance amounts in other governmental funds.

The City of Murdo fund cash balance classifications are made up of:

<u>Fund Balance</u> <u>Classifications</u>	<u>Account</u> <u>or Fund</u>	<u>Authority</u> <u>or Action</u>	<u>Amount</u>
Nonspendable	None		0
Restricted	3rd Cent: Promotion	Statute	44,199
Committed	None		0
Assigned	None		0
Unassigned	General fund		243,384

			287,583

The City uses "restricted" and "committed" amounts first when restricted and unrestricted fund balance is available unless there are legal documents/ contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use "committed", then "assigned", and lastly "unassigned" amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund cash balance policy.

The purpose of each special revenue fund and revenue source is:

Special Revenue Fund:	Revenue Source: (see page 14)
* 3rd Cent	Sales tax

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

Budget Overdrafts:

The City is prohibited by statute from spending in excess of appropriated amounts by department within a fund.

The 2018 the general fund/public safety/police went over its budget by \$10,470, the general fund/public works/highways and streets went over its budget by \$804,769 and the general fund/culture and recreation/parks went over its budget by \$2,796. These budget overdrafts occurred because the second reading of a supplemental appropriation to cover these overdrafts was not made until January 7, 2019.

In 2019 the City did have two readings of a 2019 supplemental appropriation before year end.

3. DEPOSITS, INVESTMENTS AND RELATED RISKS

Except for restricted cash held by 3rd parties and bank certificates of deposit purchased for an individual fund, the City follows the practice of aggregating deposits of its various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The City deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is the add-on type.

Actual bank balances at December 31, 2019 were as follows: Insured \$346,859, Collateralized ** \$8,526 for a total of \$355,385.

** Uninsured, collateral jointly held by state's/municipality's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits at December 31, 2019 was \$317,797 held as follows.

First Fidelity Bank, (Murdo, SD):	
Checking	224,269
Savings	29,227
First National Bank, (Murdo, SD):	
Savings	64,261

	317,757
Petty cash	40

	317,797
	=====

Certificates of deposit (if any), with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

4. INVESTMENTS AND RELATED RISKS

In general, SDCL 4-5-6 permits City money to be invested only in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly or (b) repurchase agreements fully collateralized by securities described in (a) or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

During 2018 and 2019 the City had no investments.

Investment Risk - State law limits eligible investments for the City as discussed above. The City has no investment policy that would further limit its investment choices.

Custodial Risk (Investments) - The risk that, in the event of a default by the counterparty to a transaction, the City will not be able to recover the value of an investment or collateral securities held by the counterparty. During 2018 and 2019 the City had no investment and was not exposed to custodial risk for investments.

Custodial Risk (Deposits) - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. At December 31, 2019, the City's deposits in financial institutions were not exposed to custodial deposit risks.

Concentration of Credit Risk - the City places no limit on the amount that may be invested in any one institution. The amount of investment in an institution is shown above.

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the general fund or the fund making the investment. The City's policy is to credit all income from deposits and investments to the general fund.

5. RESTRICTED NET POSITION

The following table shows the December 31, 2019 net position restricted for specific purposes as shown on the statement of net position

Purpose:	Restricted By:	Governmental	Business-Type
3rd Cent uses	Statute	44,199	
		-----	-----
Total Restricted Net Position		44,199	0

6. LONG-TERM DEBT

FUTURE REVENUES PLEDGED TO SECURE DEBT

A summary of changes in long-term debt is presented as supplementary information on page 35. The City does not have any short term or conduit debt.

All water fund revenue net revenue (after normal operating, repair and maintenance expenses) is pledged to secure the West River Lyman Jones Rural Water System loans which has a remaining balance of \$68,344. The loan was made to cover the cost of water tower improvements and is described on page 35. The loan matures in 2040. In 2019 the loans had pledged revenue of \$14,573 before loan payments of \$4,488.

7. INTERFUND TRANSFERS

In 2018 the sewer fund transferred \$60,000 to the water fund to partially cover prior year water tower repair cost.

8. PENSION PLAN

Summary of Significant Accounting Policies:

As mentioned in note 1c above, these financial statements, both government-wide and fund financial statements, are presented on a modified cash basis of accounting rather than an accrual/modified accrual basis of accounting. Consequently, these financial statements do not measure the net pension (assets)/liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense (revenue), and information about the fiduciary net position of the South Dakota Retirement System (SDRS).

Plan Description:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017 are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80.

Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

Members that were hired on or after July 1, 2017 are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- > Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- > If the fair value of assets is equal to or greater than the baseline actuarial accrued liabilities, the COLA will be: The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- > If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be: The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be equal to or greater than the accrued liabilities.

All benefits except those on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

Contributions:

Per SDCL 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the calendar years ending December 31, 2019, 2018, and 2017 were \$16,253, \$13,205 and \$12,331 respectively (employer's share) equal to the required contribution each year.

Pension (Assets)/Liabilities:

At June 30, 2019 SDRS is 100.09% funded and accordingly has net pension (asset). The proportionate shares of the components of the net pension (asset) of South Dakota Retirement System, for the City as of this measurement period ending June 30, 2019 and reported by the City as of December 31, 2019 are as follows:

Proportionate share of total pension liability	\$ 1,436,792
Less: Proportionate share of net position restricted for pension benefits	(1,438,014)

Proportionate share of net pension (asset)/liability	\$ (1,222)
	=====

The net pension liability (asset) was measured as of June 30, 2019 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the City's share of contribution to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the City's proportion was .000115292 which is an increase of .000012514 over its proportion measured as of June 30, 2018.

Actuarial Assumptions:

The total pension (asset)/liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Graded by years of service from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.88%

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males.

Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

Actuarial assumptions used in the June 30, 2019 valuation were based on results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Investments

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (ie: the Council should use the same degree of care as a prudent man.) Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	4.7%
Fixed Income	30.0%	1.7%
Real Estate	10.0%	4.3%
Cash	2.0%	0.9%

	100.0%	

Discount Rate:

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan

members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

Sensitivity of (Asset)/Liability to Changes in the Discount Rate:

The following presents the City's proportionate share of the net pension (asset)/liability of SDRS, calculated using the discount rate of 6.50%, as well as what the City's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate the is 1% point lower (5.50%) or 1% point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
City's proportionate share of the net pension (asset)/liability	\$202,791	\$(1,222)	\$(167,456)

Pension Plan Fiduciary Net Position:

Detailed information about the Plan's fiduciary net position is available in a separately issued SDRS financial report.

9. PROPERTY TAX

Taxes are levied on or before October 1, attach as an enforceable lien on property, become due and payable on the following January 1, and are payable in two installment on or before the following April 30 and October 31. The county bills and collects the City's taxes and remits them to the City. Because the City is on the modified cash basis of accounting, all property taxes received in cash are considered revenue for the period in which it was collected.

The City is permitted by state statute to levy the following amounts of taxes per \$1,000 of taxable valuation of the property in the City: a) general fund \$27.00; b) bond redemption funds: Amts required by Bond Agreements; c) judgment fund (upon a judgment being made) \$10.00. State statute allows the tax rates to be raised by special election of the voters.

10. INSURANCE

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. During the two years ending December 31, 2019 the City managed its risks as follows:

Employee Health Insurance:

The City purchased health insurance for its employees from a commercial carrier. The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded coverage during the past three years.

Liability Insurance:

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the

experience to date of the SDPAA member, based on their exposure or type of coverage. The City pay's an annual premium to the pool to provide coverage for: general liability, auto liability, auto damage, and property damage.

Effective January 1, 2018 the SDPAA revised the method of calculating the amount available to be refunded to a withdrawing member. Upon giving proper written notice to the SDPAA a member may withdraw. Within 120 days following withdrawal, or as soon thereafter as the next Annual Budget is completed, the SDPAA will advise the withdrawing member of its total calculated portion of contributions made to the SDPAA that shall be refunded. Refunds are calculated based on the pool's total contributions, along with the member's total contributions, current losses, unpaid losses, and loss expenses, the member's loss ratio, and number of membership years.

A member who withdraws from the SDPAA shall receive a calculated portion of their contributions refunded for unpaid casualty losses, based on the following schedule:

Years	1	2	3	4	5	6+
Percentage	55%	50%	40%	35%	30%	20%

All refunds shall be paid to the withdrawing member over a 5 year term.

As of December 31, 2019, the City's balance available to be refunded per the SDPAA was \$65,110, which was an increase of \$43,016 from the previous year. The change in the amount available for refund is not reported in the current period because these financial statements are on the modified cash basis of accounting.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The City joined the South Dakota Municipal League Workers' Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays an annual premium to the pool to provide worker's compensation coverage for its employees. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program.

The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The City may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits:

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota. During 2018 and 2019, no claims were paid for unemployment and less than \$500 is expected to be paid in 2020.

11. JOINT VENTURE

The City participates in a joint venture, known as Tri-County Landfill, formed for the purpose of providing garbage dump area seervices to its member entities.

Members of the joint venture are as follows:

Counties: Tripp, Aurora, Jerauld, Brule, Lyman, Buffalo, Jones, and Mellette

Cities: White Lake, Wessington Springs, Plankinton, Reliance, White River, Alpena, Lane, Colome, Kennebec, Chamberlain, Kimball, Oacoma, Presho, Draper, Stickney, Murdo, Pukwana, New Witten, Winner, and Wood

The joint venture's governing board is composed of 12 representatives. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget.

The City retains no equity in the net assets of the joint venture, but does have a responsibility to fund deficits of the joint venture. This funding would be shared equally by all members.

Separate financial statements for this joint venture are available from the Tri-County Landfill in Pukwana, South Dakota. At December 31, 2019 landfill had an AUDITED net position of \$1,794,325 and long-term debt of \$937,467.

12. TAX ABATEMENTS

As of December 31, 2019 the City did not provide any tax abatement incentives through a Tax Increment Financing District Project (of which the City has none) or through other agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

13. LITIGATION

The City can be a party to litigation. No determination can be made at this time regarding the potential outcome of possible matters. However, as discussed in the risk management note above, the City has liability coverage for itself and its employees. Therefore, any litigation is not expected to have a potential material effect on the City's financial statements.

14. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

A member of the Murdo City Council is also the City's only electrician and was paid for certain repair work in 2018 and 2019.

On September 11, 2019 the City authorize the Mayor to sign SD DOT agreement for Project No. 3-46-0039-11-2019 for an airport hangar project which will be done after 2019.

On September 24, 2019 the City passed Resolution 2019-24 authorizing the application for a Community Development Block Grant to partially fund the construction of a new Fire Hall.

CITY OF MURDO
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE YEAR ENDING DECEMBER 31, 2019

GENERAL FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental		
Receipts:					
Receipts from local sources:					
Taxes:					
Ad valorem taxes	212,339			207,910	(4,429)
General sales and use taxes	420,000			454,131	34,131
Other taxes	100			96	(4)
Licenses and permits:	500			1,736	1,236
Intergovernmental receipts:					
Federal shared receipts:					
PILOT			0	2,485	2,485
State shared receipts:					
Grants			0	3,617	3,617
Bank franchise tax	3,500		3,500	3,841	341
Commercial prorate			0	3,272	3,272
Liquor tax reversion	3,000		3,000	3,180	180
5% motor vehicle licenses	25,000		25,000	10,161	(14,839)
Highway and bridge	26,000		26,000	26,312	312
County shared receipts:	2,700		2,700	2,369	(331)
Charges for goods and services:					
Sanitation and landfill	63,500		63,500	65,614	2,114
Pool	3,500		3,500	5,032	1,532
Recreation	450		450	555	105
Miscellaneous receipts:					
Interest and dividends	2,500		2,500	2,934	434
Rents and franchise fees	2,600		2,600	3,446	846
Special assessment - principal	40,000		40,000	3,065	(36,935)
Donations			0	10,500	10,500
Liquor operating agreements	29,000		29,000	25,627	(3,373)
Other	15,000		15,000	6,175	(8,825)
Total receipts	849,689	0	0	842,058	(7,631)
Disbursements:					
General government:					
Mayor and Council	18,964	3,700		20,560	2,104
Contingency	58,820			58,820	58,820
Amount transferred		(55,300)		(55,300)	(55,300)
Elections			0		0
Financial administration	126,095	10,200		136,295	5,353
Public safety:					
Police	138,750	30,000	28,480	196,626	604
Fire	38,400			8,626	29,774
Public works:					
Highways and streets	411,475	300		275,968	135,807
Sanitation	65,738			63,534	2,204
Airport	1,850			1,763	87
Health and welfare:					
Health	1,500			1,500	0
Culture and recreation:					
Recreation	42,207	11,100		53,000	307
Parks	2,000			1,977	23
Auditorium	2,000			394	1,606
Tennis	500			388	112
Debt service:	34,400			34,338	62
Total disbursements	942,699	0	28,480	789,616	181,563
Excess of receipts over (under) disbursements	(93,010)	0	(28,480)	52,442	173,932
Other financing sources (uses):					
Transfer in	93,010		28,480		(121,490)
Bank loan proceeds	0			125,000	125,000
Net change in fund balance	0	0	0	177,442	177,442
Fund balance:					
January 1, 2019	65,942			65,942	0
December 31, 2019	65,942	0	0	243,384	177,442

CITY OF MURDO
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE YEAR ENDING DECEMBER 31, 2018

GENERAL FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Contingency Transfers Supplemental:	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Ad valorem taxes	199,943		199,943	198,918	(1,025)
General sales and use taxes	420,000		420,000	448,615	28,615
Other taxes	100		100	36	(64)
Licenses and permits:	800		800	550	(250)
Intergovernmental receipts:					
Federal shared receipts:					
PILOT			0		0
State shared receipts:					
Grants			0	401,567	401,567
Bank franchise tax	3,000		3,000	3,892	892
Commercial prorate			0	3,148	3,148
Liquor tax reversion	3,500		3,500	3,069	(431)
5% motor vehicle licenses	13,000		13,000	10,082	(2,918)
Highway and bridge	27,000		27,000	25,610	(1,390)
County shared receipts:	2,700		2,700	2,737	37
Charges for goods and services:					
Sanitation and landfill	63,750		63,750	65,922	2,172
Pool			0	3,323	3,323
Recreation	3,900		3,900	460	(3,440)
Miscellaneous receipts:					
Interest and dividends	2,500		2,500	4,448	1,948
Rents and franchise fees	3,400		3,400	15,923	12,523
Special assessment - principal	53,500		53,500	55,968	2,468
Donations			0	10,000	10,000
Liquor operating agreements	25,800		25,800	25,696	(104)
Other	15,000		15,000	29,196	14,196
Total receipts	837,893	0	837,893	1,309,160	471,267
Disbursements:					
General government:					
Mayor and Council	18,464	4,250	22,714	22,301	413
Contingency	57,204		57,204		57,204
Amount transferred		(57,204)	(57,204)		(57,204)
Elections			0		0
Financial administration	126,613	5,317	131,930	129,684	2,246
Public safety:					
Police	66,997	20,500	87,497	97,967	(10,470)
Fire	28,400		28,400	8,488	19,912
Public works:					
Highways and streets	904,920	27,137	932,057	1,736,826	(804,769)
Sanitation	65,738		65,738	62,848	2,890
Airport	1,850		1,850	1,160	690
Health and welfare:					
Health	1,500		1,500	1,500	0
Culture and recreation:					
Recreation	59,307		59,307	56,645	2,662
Parks	5,000		5,000	7,796	(2,796)
Auditorium	2,000		2,000	1,024	976
Tennis	500		500	396	104
Debt service:	34,400		34,400	34,338	62
Total disbursements	1,372,893	0	1,372,893	2,160,973	(788,080)
Excess of receipts over (under) disbursements	(535,000)	0	(535,000)	(851,813)	(316,813)
Other financing sources (uses):					
Transfer in	530,000		530,000		(530,000)
Sale of surplus property	0		0	122	122
Compensation for damaged prope	0		0	2,797	2,797
Net change in fund balance	(5,000)	0	(5,000)	(848,894)	(843,894)
Fund balance:					
January 1, 2018	914,836		914,836	914,836	0
December 31, 2018	909,836	0	909,836	65,942	(843,894)

CITY OF MURDO

SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE YEAR ENDING DECEMBER 31, 2019

3RD CENT	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplemental:	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Sales and use tax	65,000		65,000	62,947	(2,053)
Total receipts	65,000	0	65,000	62,947	(2,053)
Disbursements:					
General government:					
Other			0		0
Public works:					
Highways and streets	5,000		5,000	4,744	256
Culture and recreation:					
Parks	17,589		17,589	13,736	3,853
Conservation and development:					
Economic development	34,000		34,000	34,000	0
Debt service:	8,411		8,411	8,411	0
Total disbursements	65,000	0	65,000	60,891	4,109
Excess of receipts over (under) disbursements	0	0	0	2,056	2,056
Other financing sources (uses):					
None			0		0
Net change in fund balance	0	0	0	2,056	2,056
Fund balance:					
January 1, 2019	42,143		42,143	42,143	0
December 31, 2019	42,143	0	42,143	44,199	2,056

FOR THE YEAR ENDING DECEMBER 31, 2018

3RD CENT	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplemental:	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Sales and use tax	62,500		62,500	62,719	219
Total receipts	62,500	0	62,500	62,719	219
Disbursements:					
General government:					
Other			0		0
Public works:					
Highways and streets	5,000		5,000	4,632	368
Culture and recreation:					
Parks	18,589		18,589	18,503	86
Conservation and development:					
Economic development	30,500		30,500	30,500	0
Debt service:	8,411		8,411	8,411	0
Total disbursements	62,500	0	62,500	62,046	454
Excess of receipts over (under) disbursements	0	0	0	673	673
Other financing sources (uses):					
None			0		0
Net change in fund balance	0	0	0	673	673
Fund balance:					
January 1, 2018	41,470		41,470	41,470	0
December 31, 2018	41,470	0	41,470	42,143	673

CITY OF MURDO

NOTES TO SUPPLEMENTARY INFORMATION - BUDGETS

NOTES TO THE BUDGETARY COMPARISON SCHEDULES FOR THE
GENERAL FUND FOR THE TWO YEARS ENDING DECEMBER 31, 2019

1. BUDGETS AND BUDGETARY ACCOUNTING

The City of Murdo (City) follows these procedures in establishing the budgetary data reflected in the budgetary supplementary information:

- a. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
- b. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in d.
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets. During 2018 there was no supplemental budgets to the general fund. During 2019 there was one supplemental budget to the general fund. See page 31 and 32.
- e. Formal budgetary integration is employed as a management control device for the general fund and 3rd cent special revenue fund.
- f. The budget for the general fund and 3rd cent special revenue fund are not adopted on a basis consistent with generally accepted accounting principles (GAAP) because all accounting, and the adoption of the all budgets, is on a modified cash basis of accounting.

2. GAAP AND BUDGETARY ACCOUNTING BASIS DIFFERENCE:

The financial statements prepared in conformity with US-GAAP (within the context of the modified cash basis of accounting) present capital outlay disbursement information as a separate category of disbursements. Under the budgetary basis of accounting, capital outlay disbursements are reported within the function to which they relate. For example, the purchase of a road grader would be reported as a capital outlay disbursement in the governmental funds statement of receipts, disbursements and changes in fund cash balance. However, in the budgetary RSI schedule, the purchase of a road grader would be reported as a disbursement in the public works function of general fund, along with all other current public works disbursements.

CITY OF MURDO

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE
 CHANGES IN LONG-TERM DEBT
 FOR THE TWO YEARS ENDING DECEMBER 31, 2019

				Governmental Activities	Business-Type Activities	Principal Due in 2020
	Beginning 12-31-17	2018 Additions (Deletions)	2019 Additions (Deletions)	Ending 12-31-19	Ending 12-31-19	
GOVERNMENTAL - DIRECT BORROWING						
2005 West Central Electric Cooperative Loan:						
Original face amount: \$116,620						
Maturing on August 1, 2020 after refinancing balloon						
Interest at 1.00%						
Annual payments of \$8,411.00						
Purpose: Construction of Community Tech Center Facility						
Paid by 3rd cent sales tax fund	24,737	(8,164)	(8,245)	8,328		8,328
2014 John Deere Loader Lease:						
Original amount: \$159,828						
Maturing December 10, 2019, interest at 3.50%						
Annual payments of \$34,337.71						
Paid by the general fund	67,301	(33,062)	(34,239)	0		0
2018 Bank Line-of-Credit:						
Note maximum amount: \$500,000						
Maturing November 6, 2021, interest at 4.00%						
Payment at maturity date						
Paid by the general fund	0		125,000	125,000		0
Totals	92,038	(41,226)	82,516	133,328		8,328

BUSINESS-TYPE - DIRECT BORROWING

2000 West River Lyman Jones Rural Water Systems Loan:					
Original face amount: \$103,615					
Maturing on October 1, 2040, interest at 3.00%					
Minimum payment of \$374 per month					
Purpose: Water tower improvements					
Paid by the water fund	74,124	(2,855)	(2,925)	68,344	2,437
Totals	74,124	(2,855)	(2,925)	68,344	2,437

Payment Schedules:

Payment Schedules:		Total Payment	Principal	Interest	Balance
		-----	-----	-----	-----
2005 West Central Electric Cooperative Loan:					
	2020	8,411	8,328	83	0
		=====	=====	=====	
2018 Bank Line-of-Credit:					
	2020	4,973	0	4,973	125,000
se: This loan was paid off in 2020.	2021	125,000	125,000	0	0
		-----	-----	-----	
	Totals	129,973	125,000	4,973	
		=====	=====	=====	

2000 West River Lyman Jones Rural Water Systems Loan:

2020	4,488	2,437	2,051	65,907
2021	4,488	2,511	1,977	63,396
2022	4,488	2,586	1,902	60,810
2023	4,488	2,664	1,824	58,146
2024	4,488	2,744	1,744	55,402
2025-2029	22,440	15,003	7,437	40,399
2030-2034	22,440	17,393	5,047	23,006
2035-2039	22,440	20,163	2,277	2,843
2040	2,928	2,843	85	0
Totals	92,688	68,344	24,344	

CITY OF MURDO
FOR THE SIX YEARS ENDING DECEMBER 31, 2019

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION (ASSET)/LIABILITY

SDRS Measurement Date Year Ended (1)	City's Pension Allocation Percentage	City's Proportionate Share of Net Pension (Asset) Liability	City's Covered Employee Payroll for its 6-30 Year End	City's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2019	0.0115292%	(1,222)	221,506	(0.55%)	100.09%
June 30, 2018	0.0102778%	(240)	196,928	(0.12%)	100.02%
June 30, 2017	0.0095441%	(866)	181,513	(0.48%)	100.10%
June 30, 2016	0.0090958%	30,725	161,888	18.98%	96.89%
June 30, 2015	0.0057411%	(24,350)	101,764	(23.93%)	104.10%
June 30, 2014	0.0058600%	(42,219)	102,483	(41.20%)	107.30%

(1) The amounts presented for each fiscal year were determined as of the collective net pension (asset)/liability (asset) is 6-30 of the City's current calendar year.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF MURDO
FOR THE SIX YEARS ENDING DECEMBER 31, 2019

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S CONTRIBUTIONS
TO THE SOUTH DAKOTA RETIREMENT SYSTEM

City's Year Ended	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Employee Payroll for its Calendar Year End	Contributions as a Percentage of Covered Employee Payroll
December 31, 2019	16,253	16,253	0	244,884	6.64%
December 31, 2018	13,206	13,206	0	202,998	6.51%
December 31, 2017	12,331	12,331	0	192,354	6.41%
December 31, 2016	11,266	11,266	0	175,893	6.41%
December 31, 2015	7,169	7,169	0	116,085	6.18%
December 31, 2014	6,206	6,206	0	103,437	6.00%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF MURDO

NOTES TO SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY
AND SCHEDULE OF PENSION CONTRIBUTIONS FOR THE TWO YEARS ENDING DECEMBER 31, 2019

Changes of benefit terms:

No significant changes.

Changes of assumptions:

Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal the percentage increase in the most recent 3rd quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2018 and exists again as of June 30, 2019. Future COLAs are assumed to equal the current restricted maximum COLA which was 2.03% as of June 30, 2018 and is 1.88% as of June 30, 2019.

The changes in actuarial assumptions increased the Actuarial Accrued Liability by 1.5% of the Actuarial Accrued Liability based on the 2.03% COLA, reflecting the current and assumed future restricted maximum COLA of 1.88%.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

REPORT ON
COMPLIANCE AND OTHER MATTERS AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Governing Board
City of Murdo
Murdo, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of governmental activities, business-type activities, and each major fund, of the City of Murdo (City), Jones County, South Dakota, as of December 31, 2019 and for each year the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's modified cash basis of accounting financial statements and have issued my report thereon dated November 15, 2021 which was unmodified, except for a disclaimer of opinion on the City's discretely presented component unit.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the City of Murdo's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my tests did not disclose an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

I did note minor matters involving compliance that I reported to the governing body and management of the City of Murdo in separate Letters of Comments dated November 15, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Murdo's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Murdo's internal control.

A *deficiency in internal control* exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of City of Murdo's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency*, is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

I did identify a certain deficiency in internal control, described in the accompanying schedule of current audit findings and responses that I consider to be significant deficiency. I consider the deficiency described in the accompanying schedule of current audit findings and responses as item 2019-001 to be a significant deficiency.

Management response to the finding identified in my audit is described in the accompanying schedule of current audit findings and responses. I did not audit the management response and, accordingly, I express no opinion on it.

I also noted minor matters involving internal control that I reported to the governing body and management of the City of Murdo in separate Letters of Comments dated November 15, 2021.

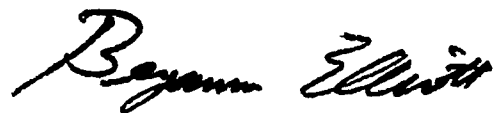
Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on the effectiveness of the City's compliance or internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance and internal control over financial reporting. Accordingly this communication is not suitable for any other purpose.

As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

November 15, 2021



SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Prior Federal Compliance Audit finding:

The prior federal compliance audit finding regarding late filing of report is moot with respect to this audit, which is not subject to the Single Audit Act.

Prior Other Audit Findings:

2013-001 [Segregation of Duties] Repeated below as 2019-001

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Part I - Summary of the Audit:

Financial Statements

Type of auditor's report issued:

Disclaimer of Opinion: Component Unit

Unqualified on: Governmental Activities, Business-Type Activities,
and all funds

Noncompliance material to financial
statements noted?

None Reported

Internal control over financial reporting:

* Material weakness(es) identified?

None Reported

* Significant deficiency(ies) identified
that are not considered to be material
weaknesses?

Finding 2019-001

Part II - Findings Relating to the Financial Statements

Finding 2019-001: Lack of Proper Segregation of Duties
(internal control)

Criteria:

Management of a municipality is responsible for establishing and maintaining an internal control structure to provide management and the taxpayers with reasonable assurance: 1) that assets are safeguarded against loss from unauthorized use or disposition, 2) that transactions are executed in accordance with management's authorization, and 3) that transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

A key element of an effective internal control structure is the separation of duties so one person isn't responsible of all aspects of a transaction.

Condition:

The size of the City precludes an adequate segregation of duties.

Effect:

Inadequate segregation of duties can lead to the misappropriation of funds.

Recommendation:

I recommend the City of Murdo's management be cognizant of this lack of segregation of duties and attempt to provide compensating internal controls whenever and wherever possible and practical.

Response:

This comment is a result of the size of the City, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City has determined it is not cost beneficial to employ additional personnel just to adequately segregate duties. The City of Murdo is aware of this problem and is attempting to provide compensating controls whenever and wherever possible and practical. However, this lack of segregation of duties is expected to continue to exist.